

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2015 / 2016 SESSION

**DAU5018 – AUDITING 1**

(For Diploma Students Only)

3 JUNE 2016

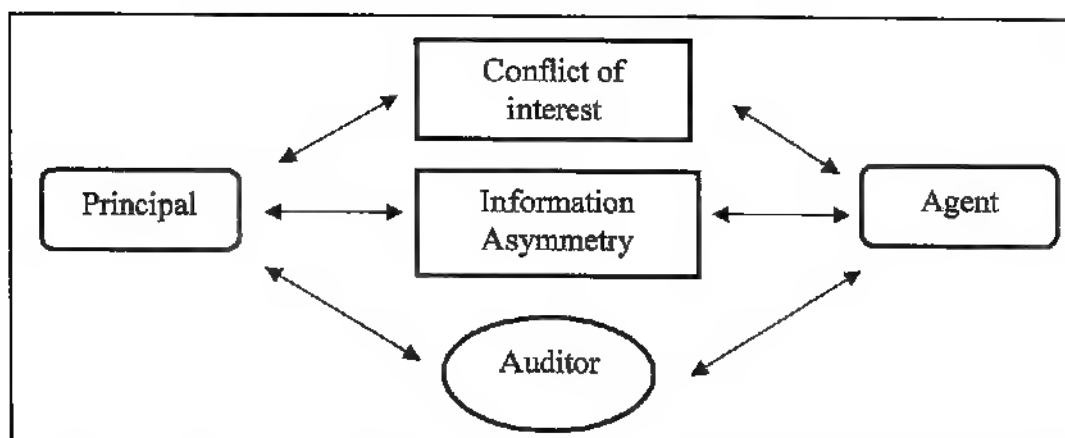
3 p.m - 6 p.m

(3 Hours)

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### INSTRUCTIONS TO STUDENT

1. This question paper consists of 3 pages with 5 questions.
2. Answer ALL questions.
3. Write your answers in the answer booklet provided.

**QUESTION 1**

- (a) Based on the illustration above, explain the principal and agent relationship. Your answer must include the following terms:

- (i) principal (2 Marks)
- (ii) agent (2 Marks)
- (iii) information asymmetry (2 Marks)
- (iv) conflict of interest (2 Marks)
- (v) auditor (2 Marks)

- (b) Based on Section 9(1) of Companies Act 1965, under six conditions a person is prohibited from acting or accepting appointment as the auditor of the company.

**Required:**

Identify the **SIX (6)** conditions that are applicable to the Act. (6 Marks)

- (c) There are two sets of approved accounting standards in Malaysia. Identify and differentiate between these two sets of accounting standards. (4 Marks)

**[TOTAL 20 MARKS]**

Continued.....

**QUESTION 2**

“There are three stages in the accounting process that take place in the preparation of financial statements.”

**Required:**

- (a) Explain any **TWO (2)** stages in the accounting process. (4 Marks)
- (b) Explain any **TWO (2)** responsibilities of each of the following audit team member.

- |                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Audit Partner</li><li>• Audit Manager</li><li>• Audit Senior</li><li>• Audit Assistant</li></ul> |
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(16 Marks)

[TOTAL 20 MARKS]

**QUESTION 3**

- (a) “Auditor’s report is essential to audit engagement because they communicate the audit findings. Users of financial statements rely on the auditor report to provide assurance on the company’s financial statements.”

**Required:**

Identify and explain any **FIVE (5)** basic elements of an audit report. (10 Marks)

- (b) “Reliability refers to whether a particular type of audit evidence can be relied upon to signal the true state of an assertion or audit objective.”

**Required:**

- (i) Define audit evidence. (2 Marks)
- (ii) What are the **FOUR (4)** factors that auditor need to consider to examine the reliability of an audit evidence? (8 Marks)

[TOTAL 20 MARKS]

Continued.....

**QUESTION 4**

- (a) Define internal control and identify the **FOUR (4)** objectives of internal control. (10 Marks)
- (b) What are the auditor's and management's responsibilities related to internal control? (4 Marks)
- (c) Identify and explain **THREE (3)** limitations of a company's internal control. (6 Marks)

**[TOTAL 20 MARKS]****QUESTION 5**

- (a) "In Malaysia, a public listed company is required to set up audit committee."

**Required:**

- (i) Define an audit committee. (2 Marks)
- (ii) Identify any **FOUR (4)** functions or duties of an audit committee. (8 Marks)
- (b) "When it appears that internal auditing is relevant to the external audit, the external auditor should perform a preliminary assessment of the internal audit function."

**Required:**

- What is internal auditing? (2 Marks)
- (c) Provide any **TWO (2)** differences between internal auditing and external auditing. (8 Marks)

*(Note: You may use the table format as presented below to write your answer)*

Differences	Internal auditing	External auditing

**[TOTAL 20 MARKS]****End of Page.**